

Message Text

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ACTION SS-25

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TO SECSTATE WASHDC PRIORITY 307

C O N F I D E N T I A L CARACAS 10123

EXDIS

E.O. 11652: GDS

TAGS: ENGR, PFOR, VE

SUBJECT: PETROLEUM REVERSION: MOBIL AND OCCIDENTAL SERVICE CONTRACTS

REF CARACAS 9921

1. DURING A CONVERSATION OF SEP 26 MINES MINISTRY
HYDROCARBONS DIRECTOR AREVALO REYES GAVE THE PETROLEUM
ATTACHE THE FOLLOWING CONFIDENTIAL RUNDOWN ON THIS SITUATION.
THIS INFORMATION WAS PROVIDED IN CONFIDENCE BY AN OFFICER OF
THE GOVT OF VENEZUELA AND IS NOT FOR DISSEMINATION TO
THIRD PARTIES.

2. MOBIL: THE GOV WILL FINANCE TWO MORE EXPLORATORY
WELLS IN BLOCK C AT A COST OF BS 25 MILLION. IN THE INTERIM,
THE \$17 MILLION MOBIL IS CLAIMING AS COMPENSATION WILL BE
PLACED IN BONDS. IF THE NEW WELLS TO BE DRILLED BY MOBIL PROVE
PRODUCTIVE, BLOCK C WILL BE DECLARED COMMERCIAL AND MOBIL WILL
RECEIVE COMPENSATION FOR THIS SERVICE CONTRACT. IF THE WELLS
PROVE DRY, MOBIL WILL NOT RECEIVE THE BONDS. THE NEW DRILLING
WILL BE CARRIED OUT UNDER AN AGREEMENT (CONVENIO) BETWEEN THE
COMPANY AND THE MINISTRY. REYES IS CONFIDENT THAT MOBIL WILL
ACCEPT THESE TERMS. THE WELLS WILL BE VERY DEEP AND THE WORK
MAY TAKE UP TO ONE YEAR TO COMPLETE. MOBIL WOULD BE EXPECTED
TO BEGIN THE PROGRAM AT ONCE.

3. OCCIDENTAL PETROLEUM: BLOCK A HAS BEEN DETERMINED
TO BE NON-COMMERCIAL AND THE COMPANY WILL RECEIVE NOTHING FOR
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IT. BLOCK E WILL BE DECLARED COMMERCIAL AND OCCIDENTAL WILL

BE OFFERED COMPENSATION FOR IT AT THE SAME TIME THE CONCESSIONAIRES ARE GIVEN THEIR FORMAL OFFERS. REYES SAID HE WAS GIVING THIS INFORMATION IN THE STRICTEST CONFIDENCE, AND THAT OCCIDENTAL HAS NOT BEEN TOLD OF THIS TECHNICAL DECISION. REYES SAID THAT OCCIDENTAL IS STILL NEGOTIATING WITH CVP. WHICH DOES NOT WANT TO DECLARE THE BLOCK COMMERCIAL. OCCIDENTAL HAS NOT BEEN TOLD BECAUSE THE TECHNICAL DECISION OF THE MINISTRY IS AWAITING THE RETURN OF THE MINISTER FROM VIENNA FOR HIS FINAL APPROVAL. REYES ALSO SAID THAT, AFTER NATIONALIZATION, CVP WILL HAVE NOTHING FURTHER TO DO WITH THE DEVELOPMENT OF THE AREAS FORMERLY COVERED BY THE SERVICE CONTRACTS BECAUSE OF ITS DEMONSTRATED INCOMPETENCE.

4. REYES COMMENTS ON OTHER ASPECTS OF REVERSION NEGOTIATIONS FOLLOW BY SEPTTEL.
SHLAUDEMAM

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